

1.1 A bill for an act
 1.2 relating to retirement; making administrative changes to the statutes governing the
 1.3 retirement plans administered by the Public Employees Retirement Association;
 1.4 amending Minnesota Statutes 2022, sections 353.01, subdivisions 2a, 2b, 15;
 1.5 353.0162; 353.031, subdivision 10; 353.32, subdivision 1c; 353E.001, by adding
 1.6 subdivisions; 353E.07, subdivisions 3, 4, 5; repealing Minnesota Statutes 2022,
 1.7 section 353.01, subdivision 15a.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 **ARTICLE 1**
 1.10 **SALARY THRESHOLD FOR INCLUDED EMPLOYEES**

1.11 Section 1. Minnesota Statutes 2022, section 353.01, subdivision 2a, is amended to read:

1.12 Subd. 2a. **Included employees; mandatory membership.** (a) Public employees whose
 1.13 ~~annual~~ salary from one governmental subdivision is stipulated in advance to exceed \$5,100
 1.14 ~~if the person is not a school year employee or \$3,800 if the person is a school year employee~~
 1.15 exceeds \$425 in any month and who are not specifically excluded under subdivision 2b or
 1.16 ~~who~~ have not been provided an option to participate under subdivision 2d, whether
 1.17 individually or by action of the governmental subdivision, must participate as members of
 1.18 the association with retirement coverage by the general employees retirement plan under
 1.19 this chapter, the public employees police and fire ~~retirement~~ plan under this chapter, or the
 1.20 local government correctional employees retirement plan under chapter 353E, whichever
 1.21 applies. Membership commences as a condition of ~~their~~ employment on the first day of
 1.22 ~~their~~ employment or on the first day that the eligibility criteria are met, whichever is later.
 1.23 Public employees include but are not limited to:

2.1 (1) persons whose salary meets the threshold in this paragraph from employment in one
2.2 or more positions within one governmental subdivision;

2.3 (2) elected county sheriffs;

2.4 (3) persons who are appointed, employed, or contracted to perform governmental
2.5 functions that by law or local ordinance are required of a public officer, including, but not
2.6 limited to:

2.7 (i) town and city clerk or treasurer;

2.8 (ii) county auditor, treasurer, or recorder;

2.9 (iii) city manager as defined in section 353.028 who does not exercise the option provided
2.10 under subdivision 2d; or

2.11 (iv) emergency management director, as provided under section 12.25;

2.12 (4) physicians under section 353D.01, subdivision 2, who do not elect public employees
2.13 defined contribution plan coverage under section 353D.02, subdivision 2;

2.14 (5) full-time employees of the Dakota County Agricultural Society;

2.15 (6) employees of the Red Wing Port Authority who were first employed by the Red
2.16 Wing Port Authority before May 1, 2011, and who are not excluded employees under
2.17 subdivision 2b;

2.18 (7) employees of the Seaway Port Authority of Duluth who are not excluded employees
2.19 under subdivision 2b;

2.20 (8) employees of the Stevens County Housing and Redevelopment Authority who were
2.21 first employed by the Stevens County Housing and Redevelopment Authority before May
2.22 1, 2014, and who are not excluded employees under subdivision 2b;

2.23 (9) employees of the Minnesota River Area Agency on Aging who were first employed
2.24 by a Regional Development Commission before January 1, 2016, and who are not excluded
2.25 employees under subdivision 2b; and

2.26 (10) employees of the Public Employees Retirement Association.

2.27 (b) A public employee or elected official who was a member of the association on June
2.28 30, 2002, based on employment that qualified for membership coverage by the public
2.29 employees retirement plan or the public employees police and fire plan under this chapter,
2.30 or the local government correctional employees retirement plan under chapter 353E as of
2.31 June 30, 2002, retains that membership for the duration of the person's employment in that

3.1 position or incumbency in elected office. Except as provided in subdivision 28, the person
 3.2 shall participate as a member until the employee or elected official terminates public
 3.3 employment under subdivision 11a or terminates membership under subdivision 11b.

3.4 (c) If ~~in any subsequent year~~ the annual salary of an included public employee is less
 3.5 than ~~the minimum salary threshold specified in this subdivision~~ \$425 in any subsequent
 3.6 month, the member retains membership eligibility.

3.7 (d) For the purpose of participation in the general employees retirement plan, public
 3.8 employees include employees who were members of the former Minneapolis Employees
 3.9 Retirement Fund on June 29, 2010.

3.10 **EFFECTIVE DATE.** This section is effective July 1, 2023.

3.11 Sec. 2. Minnesota Statutes 2022, section 353.01, subdivision 2b, is amended to read:

3.12 Subd. 2b. **Excluded employees.** (a) The following public employees are not eligible to
 3.13 participate as members of the association with retirement coverage by the general employees
 3.14 retirement plan, the local government correctional employees retirement plan under chapter
 3.15 353E, or the public employees police and fire ~~retirement~~ plan:

3.16 (1) persons whose ~~annual~~ salary from one governmental subdivision never exceeds ~~an~~
 3.17 ~~amount, stipulated in writing in advance, of \$5,100 if the person is not a school district~~
 3.18 ~~employee or \$3,800 if the person is a school year employee. If annual compensation from~~
 3.19 ~~one governmental subdivision to an employee exceeds the stipulated amount in a calendar~~
 3.20 ~~year or a school year, whichever applies, after being stipulated in advance not to exceed the~~
 3.21 ~~applicable amount, the stipulation is no longer valid and contributions must be made on~~
 3.22 ~~behalf of the employee under section 353.27, subdivision 12, from the first month in which~~
 3.23 ~~the employee received salary exceeding \$425 in a month;~~

3.24 (2) public officers who are elected to a governing body, city mayors, or persons who
 3.25 are appointed to fill a vacancy in an elected office of a governing body, whose term of office
 3.26 commences on or after July 1, 2002, for the service to be rendered in that elected position;

3.27 (3) election judges and persons employed solely to administer elections;

3.28 (4) patient and inmate personnel who perform services for a governmental subdivision;

3.29 (5) except as otherwise specified in subdivision 12a, employees who are employed solely
 3.30 in a temporary position as defined under subdivision 12a, and employees who resign from
 3.31 a nontemporary position and accept a temporary position within 30 days of that resignation
 3.32 in the same governmental subdivision;

4.1 (6) employees who are employed by reason of work emergency caused by fire, flood,
4.2 storm, or similar disaster, but if the person becomes a probationary or provisional employee
4.3 within the same pay period, other than on a temporary basis, the person is a "public
4.4 employee" retroactively to the beginning of the pay period;

4.5 (7) employees who by virtue of their employment in one governmental subdivision are
4.6 required by law to be a member of and to contribute to any of the plans or funds administered
4.7 by the Minnesota State Retirement System, the Teachers Retirement Association, or the St.
4.8 Paul Teachers Retirement Fund Association, but this exclusion must not be construed to
4.9 prevent a person from being a member of and contributing to the Public Employees
4.10 Retirement Association and also belonging to and contributing to another public pension
4.11 plan or fund for other service occurring during the same period of time, and a person who
4.12 meets the definition of "public employee" in subdivision 2 by virtue of other service occurring
4.13 during the same period of time becomes a member of the association unless contributions
4.14 are made to another public retirement plan on the salary based on the other service or to the
4.15 Teachers Retirement Association by a teacher as defined in section 354.05, subdivision 2;

4.16 (8) persons who are members of a religious order and are excluded from coverage under
4.17 the federal Old Age, Survivors, Disability, and Health Insurance Program for the performance
4.18 of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended, if
4.19 no irrevocable election of coverage has been made under section 3121(r) of the Internal
4.20 Revenue Code of 1954, as amended;

4.21 (9) persons who are:

4.22 (i) employed by a governmental subdivision who have not reached the age of 23 and
4.23 who are enrolled on a full-time basis to attend or are attending classes on a full-time basis
4.24 at an accredited school, college, or university in an undergraduate, graduate, or
4.25 professional-technical program, or at a public or charter high school;

4.26 (ii) employed as resident physicians, medical interns, pharmacist residents, or pharmacist
4.27 interns and are serving in a degree or residency program in a public hospital or in a public
4.28 clinic; or

4.29 (iii) students who are serving for a period not to exceed five years in an internship or a
4.30 residency program that is sponsored by a governmental subdivision, including an accredited
4.31 educational institution;

4.32 (10) persons who hold a part-time adult supplementary technical college license who
4.33 render part-time teaching service in a technical college;

5.1 (11) for the first three years of employment, foreign citizens who are employed by a
5.2 governmental subdivision, except that the following foreign citizens must be considered
5.3 included employees under subdivision 2a:

5.4 (i) H-1B, H-1B1, and E-3 status holders;

5.5 (ii) employees of Hennepin County or Hennepin Healthcare System, Inc.;

5.6 (iii) employees legally authorized to work in the United States for three years or more;
5.7 and

5.8 (iv) employees otherwise required to participate under federal law;

5.9 (12) public hospital employees who elected not to participate as members of the
5.10 association before 1972 and who did not elect to participate from July 1, 1988, to October
5.11 1, 1988;

5.12 (13) except as provided in section 353.86, volunteer ambulance service personnel, as
5.13 defined in subdivision 35, but persons who serve as volunteer ambulance service personnel
5.14 may still qualify as public employees under subdivision 2 and may be members of the Public
5.15 Employees Retirement Association and participants in the general employees retirement
5.16 plan or the public employees police and fire plan, whichever applies, on the basis of
5.17 compensation received from public employment service other than service as volunteer
5.18 ambulance service personnel;

5.19 (14) except as provided in section 353.87, volunteer firefighters, as defined in subdivision
5.20 36, engaging in activities undertaken as part of volunteer firefighter duties, but a person
5.21 who is a volunteer firefighter may still qualify as a public employee under subdivision 2
5.22 and may be a member of the Public Employees Retirement Association and a participant
5.23 in the general employees retirement plan or the public employees police and fire plan,
5.24 whichever applies, on the basis of compensation received from public employment activities
5.25 other than those as a volunteer firefighter;

5.26 (15) employees in the building and construction trades, as follows:

5.27 (i) pipefitters and associated trades personnel employed by Independent School District
5.28 No. 625, St. Paul, with coverage under a collective bargaining agreement by the pipefitters
5.29 local 455 pension plan who were either first employed after May 1, 1997, or, if first employed
5.30 before May 2, 1997, elected to be excluded under Laws 1997, chapter 241, article 2, section
5.31 12;

5.32 (ii) electrical workers, plumbers, carpenters, and associated trades personnel employed
5.33 by Independent School District No. 625, St. Paul, or the city of St. Paul, with coverage

6.1 under a collective bargaining agreement by the electrical workers local 110 pension plan,
6.2 the plumbers local 34 pension plan, or the carpenters local 322 pension plan who were either
6.3 first employed after May 1, 2000, or, if first employed before May 2, 2000, elected to be
6.4 excluded under Laws 2000, chapter 461, article 7, section 5;

6.5 (iii) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers, painters,
6.6 allied tradesworkers, and plasterers employed by the city of St. Paul or Independent School
6.7 District No. 625, St. Paul, with coverage under a collective bargaining agreement by the
6.8 bricklayers and allied craftworkers local 1 pension plan, the cement masons local 633
6.9 pension plan, the glaziers and glassworkers local 1324 pension plan, the painters and allied
6.10 trades local 61 pension plan, or the plasterers local 265 pension plan who were either first
6.11 employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded
6.12 under Laws 2001, First Special Session chapter 10, article 10, section 6;

6.13 (iv) plumbers employed by the Metropolitan Airports Commission, with coverage under
6.14 a collective bargaining agreement by the plumbers local 34 pension plan, who were either
6.15 first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be
6.16 excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

6.17 (v) electrical workers or pipefitters employed by the Minneapolis Park and Recreation
6.18 Board, with coverage under a collective bargaining agreement by the electrical workers
6.19 local 292 pension plan or the pipefitters local 539 pension plan, who were first employed
6.20 before May 2, 2015, and elected to be excluded under Laws 2015, chapter 68, article 11,
6.21 section 5;

6.22 (vi) laborers and associated trades personnel employed by the city of St. Paul or
6.23 Independent School District No. 625, St. Paul, who are designated as temporary employees
6.24 with coverage under a collective bargaining agreement by a multiemployer plan as defined
6.25 in section 356.27, subdivision 1, who were either first employed on or after June 1, 2018,
6.26 or if first employed before June 1, 2018, elected to be excluded under Laws 2018, chapter
6.27 211, article 16, section 13; and

6.28 (vii) employees who are trades employees as defined in section 356.27, subdivision 1,
6.29 first hired on or after July 1, 2020, by the city of St. Paul or Independent School District
6.30 No. 625, St. Paul, except for any trades employee for whom contributions are made under
6.31 section 356.24, subdivision 1, clause (8), (9), or (10), by either employer to a multiemployer
6.32 plan as defined in section 356.27, subdivision 1;

7.1 (16) employees who are hired after June 30, 2002, solely to fill seasonal positions under
 7.2 subdivision 12b which are limited in duration by the employer to a period of six months or
 7.3 less in each year of employment with the governmental subdivision;

7.4 (17) persons who are provided supported employment or work-study positions by a
 7.5 governmental subdivision and who participate in an employment or industries program
 7.6 maintained for the benefit of these persons where the governmental subdivision limits the
 7.7 position's duration to up to five years, including persons participating in a federal or state
 7.8 subsidized on-the-job training, work experience, senior citizen, youth, or unemployment
 7.9 relief program where the training or work experience is not provided as a part of, or for,
 7.10 future permanent public employment;

7.11 (18) independent contractors and the employees of independent contractors;

7.12 (19) reemployed annuitants of the association during the course of that reemployment;

7.13 (20) persons appointed to serve on a board or commission of a governmental subdivision
 7.14 or an instrumentality thereof;

7.15 (21) persons employed as full-time fixed-route bus drivers by the St. Cloud Metropolitan
 7.16 Transit Commission who are members of the International Brotherhood of Teamsters Local
 7.17 638 and who are, by virtue of that employment, members of the International Brotherhood
 7.18 of Teamsters Central States pension plan; and

7.19 (22) persons employed by the Duluth Transit Authority or any subdivision thereof who
 7.20 are members of the Teamsters General Local Union 346 and who are, by virtue of that
 7.21 employment, members of the Central States Southeast and Southwest Areas Pension Fund.

7.22 (b) Any person performing the duties of a public officer in a position defined in
 7.23 subdivision 2a, paragraph (a), clause (3), is not an independent contractor and is not an
 7.24 employee of an independent contractor.

7.25 **EFFECTIVE DATE.** This section is effective July 1, 2023.

7.26 **ARTICLE 2**

7.27 **BENEFITS FOR DEPENDENT CHILDREN**

7.28 Section 1. Minnesota Statutes 2022, section 353.01, subdivision 15, is amended to read:

7.29 Subd. 15. **Dependent child.** For the purpose of survivor benefit eligibility ~~under sections~~
 7.30 ~~353.31, subdivision 1, and 353.657, subdivision 3,~~ "dependent child" means:

8.1 (1) a biological or adopted child of a deceased member who is unmarried; and ~~under~~
 8.2 ~~has not reached the age of 18, or age 18 to 23, so long as the child submits evidence of~~
 8.3 ~~full-time enrollment in an accredited educational institution. "Dependent child" also includes;~~

8.4 (2) a child of the member conceived during the member's lifetime and born after the
 8.5 member's death. ~~It also means,~~ unless a parent-child relationship does not exist under section
 8.6 524.2-120, subdivision 10; and

8.7 (3) a ~~dependent~~ child who has not reached the age of 23 and is the subject of adoption
 8.8 proceedings filed by a member; and who, within two years after death of the member, by
 8.9 judgment and decree duly entered, is adjudged to be the adopted child of the deceased
 8.10 member; subject, however, to the qualifying conditions of age and dependency under this
 8.11 subdivision. The dependency of the child dates from a dependent child effective on the
 8.12 date of the decree of adoption. "Dependent child" also includes a child age 18 to 23 who
 8.13 ~~had submitted evidence of full-time enrollment in an accredited educational institution but~~
 8.14 ~~was determined to be medically unable to continue school on a full-time basis. The board~~
 8.15 ~~of trustees shall adopt written procedures to make determinations regarding eligibility based~~
 8.16 ~~on a student being medically unable to continue school, and may not continue a benefit for~~
 8.17 ~~medical reasons for a period greater than one year.~~

8.18 **EFFECTIVE DATE.** This section is effective July 1, 2023.

8.19 Sec. 2. Minnesota Statutes 2022, section 353.32, subdivision 1c, is amended to read:

8.20 Subd. 1c. **Dependent child survivor coverage.** ~~If there is a~~ deceased member has no
 8.21 surviving spouse eligible for benefits under subdivision 1a, a the member's dependent child
 8.22 ~~or children~~ as defined in section 353.01, subdivision ~~15a~~ 15, is eligible for monthly payments.
 8.23 Payments to a dependent child must be paid from the date of the member's death to the date
 8.24 the dependent child attains age ~~20 if the child is under age 15. If the child is 15 years or~~
 8.25 ~~older on the date of death, payment must be made for five years~~ 23. The payment to a
 8.26 dependent child is an amount actuarially equivalent to the value of a 100 percent optional
 8.27 annuity under subdivision 1a using the age of the member and the age of the dependent
 8.28 child at the date of the member's death in lieu of the age of the surviving spouse. If there is
 8.29 more than one dependent child, each dependent child ~~shall~~ must receive a proportionate
 8.30 share of the actuarial value of the ~~employee's account~~ 100 percent optional annuity.

8.31 **EFFECTIVE DATE.** This section is effective July 1, 2023.

9.1 Sec. 3. Minnesota Statutes 2022, section 353E.001, is amended by adding a subdivision
9.2 to read:

9.3 Subd. 1a. **Fund.** "Fund" means the public employees local government correctional
9.4 service retirement fund.

9.5 **EFFECTIVE DATE.** This section is effective July 1, 2023.

9.6 Sec. 4. Minnesota Statutes 2022, section 353E.001, is amended by adding a subdivision
9.7 to read:

9.8 Subd. 2a. **Member.** "Member" means an individual identified as a member under section
9.9 353E.02, for whom retirement coverage is provided by the plan.

9.10 **EFFECTIVE DATE.** This section is effective July 1, 2023.

9.11 Sec. 5. Minnesota Statutes 2022, section 353E.001, is amended by adding a subdivision
9.12 to read:

9.13 Subd. 3a. **Plan.** "Plan" means the public employees local government correctional service
9.14 retirement plan.

9.15 **EFFECTIVE DATE.** This section is effective July 1, 2023.

9.16 Sec. 6. Minnesota Statutes 2022, section 353E.07, subdivision 3, is amended to read:

9.17 Subd. 3. **Election; accrual.** A surviving spouse election under subdivisions 1 and 2 may
9.18 be made at any time after the date of death of ~~the local government correctional service~~
9.19 ~~employee~~ a member. The surviving spouse benefit begins to accrue as of the first of the
9.20 next month following the date on which the application for the benefit was filed.

9.21 **EFFECTIVE DATE.** This section is effective July 1, 2023.

9.22 Sec. 7. Minnesota Statutes 2022, section 353E.07, subdivision 4, is amended to read:

9.23 Subd. 4. **Surviving spouse coverage; term certain.** In lieu of the 100 percent optional
9.24 annuity under subdivision 1, the surviving spouse of a deceased ~~local government correctional~~
9.25 ~~service employee~~ member may elect to receive survivor coverage in a term certain of ten,
9.26 15, or 20 years. The monthly term certain annuity must be actuarially equivalent to the 100
9.27 percent optional annuity under subdivision 1 and must be based on tables approved by the
9.28 actuary retained under section 356.214. The optional annuity ceases upon the expiration of
9.29 the term certain period. If a survivor elects a term certain annuity and dies before the

10.1 expiration of the specified term certain period, the commuted value of the remaining annuity
 10.2 payments must be paid in a lump sum to the survivor's estate.

10.3 **EFFECTIVE DATE.** This section is effective July 1, 2023.

10.4 Sec. 8. Minnesota Statutes 2022, section 353E.07, subdivision 5, is amended to read:

10.5 Subd. 5. **Dependent child survivor coverage.** ~~If there is a deceased member has no~~
 10.6 surviving spouse eligible for benefits under subdivisions 1, 2, and 4, ~~a the member's~~
 10.7 dependent child as defined in section 353.01, subdivision ~~15a~~ 15, is eligible for a ~~dependent~~
 10.8 ~~child~~ survivor benefit. Benefits to a dependent child must be paid from the date of the
 10.9 employee's death to the date the dependent child attains age ~~20 if the child is under age 15~~
 10.10 ~~on the date of death. If the child is 15 years or older on the date of death, the benefit is~~
 10.11 ~~payable for five years~~ 23. The payment to a dependent child is an amount actuarially
 10.12 equivalent to the value of a 100 percent joint and survivor optional annuity using the age
 10.13 of the ~~employee~~ member and the age of the dependent child at the date of the member's
 10.14 death in lieu of the age of the surviving spouse. If there is more than one dependent child,
 10.15 each dependent child ~~shall~~ must receive a proportionate share of the actuarial value of the
 10.16 ~~employee's account~~ 100 percent joint and survivor optional annuity, with the amount of the
 10.17 benefit payable to each child to be determined based on the portion of the total eligibility
 10.18 period that each child is eligible. The process for calculating the ~~dependent child~~ survivor
 10.19 benefit must be approved by the actuary retained under section 356.214.

10.20 **EFFECTIVE DATE.** This section is effective July 1, 2023.

10.21 Sec. 9. **REVISOR INSTRUCTION.**

10.22 In Minnesota Statutes, sections 353E.01 to 353E.08, the revisor of statutes shall change
 10.23 the terms "public employees local government correctional service retirement fund" to
 10.24 "fund" and "an employee covered under section 353E.02" to "member" and "local government
 10.25 correctional employee" to "member" and "public employees local government correctional
 10.26 service retirement plan" to "plan" wherever the terms appear in statutes. The revisor shall
 10.27 make any necessary grammatical changes or changes to sentence structure necessary to
 10.28 preserve the meaning of the text as a result of the changes.

10.29 **EFFECTIVE DATE.** This section is effective July 1, 2023.

10.30 Sec. 10. **REPEALER.**

10.31 Minnesota Statutes 2022, section 353.01, subdivision 15a, is repealed.

11.1 **EFFECTIVE DATE.** This section is effective July 1, 2023.

11.2 **ARTICLE 3**

11.3 **LEAVE PURCHASES FOR MEMBERS WHO HAVE LEFT EMPLOYMENT**

11.4 Section 1. Minnesota Statutes 2022, section 353.0162, is amended to read:

11.5 **353.0162 SALARY CREDIT PURCHASE FOR PERIODS OF REDUCED**
11.6 **SALARY.**

11.7 **Subdivision 1. Definitions.** (a) For the purposes of this section, the terms defined in this
11.8 subdivision have the meanings given them, unless the context clearly indicates another
11.9 meaning is intended.

11.10 (b) "Differential salary credit" is the difference between the salary received by the
11.11 member during a period of reduced salary as described in subdivision 2 and the salary of
11.12 the member, excluding overtime, on which contributions to the applicable plan would have
11.13 been made during the period based on the member's normal employment period, measured
11.14 in hours or otherwise, as applicable, and rate of pay.

11.15 (c) "Reporting period" means a school year, for school year employees, or a calendar
11.16 year, for all other employees, during which a member has a period of reduced salary.

11.17 **Subd. 2. Salary credit purchase permitted.** ~~(a)~~ A member may purchase differential
11.18 salary credit ~~as described in paragraph (e)~~ for a period of reduced salary ~~as described in~~
11.19 ~~paragraph (b).~~

11.20 ~~(b)~~ The period of reduced salary must be a period occurring entirely within one school
11.21 year, for school year employees, or one calendar year, for all other employees, during which
11.22 the member receives no salary or a reduced salary from the employer while the member is:

11.23 (1) receiving workers' compensation payments related to the member's service to the
11.24 public employer;

11.25 (2) on an authorized leave of absence;

11.26 (3) on an authorized leave of absence as a result of a budgetary or salary savings program
11.27 offered or mandated by a governmental subdivision, if certified to the executive director
11.28 by the governmental subdivision; or

11.29 (4) on a periodic, repetitive leave that is offered to all employees of a governmental
11.30 subdivision where the leave program is certified by the employer to the association as one
11.31 that does not exceed 208 hours during the school year or calendar year, as applicable.

12.1 ~~(e) Differential salary credit is the difference between the salary received by the member~~
 12.2 ~~during a period of reduced salary specified in paragraph (b) and the salary of the member,~~
 12.3 ~~excluding overtime, on which contributions to the applicable plan would have been made~~
 12.4 ~~during the period based on the member's normal employment period, measured in hours or~~
 12.5 ~~otherwise, as applicable, and rate of pay.~~

12.6 Subd. 3. Payment amount. ~~(d)~~ (a) To receive differential salary credit, the member
 12.7 shall pay the plan, by delivering payment to the executive director, an amount equal to:

12.8 (1) the applicable employee contribution rate under section 353.27, subdivision 2; 353.65,
 12.9 subdivision 2; or 353E.03, subdivision 1, as applicable, multiplied by the differential salary
 12.10 amount;

12.11 (2) plus an employer equivalent payment equal to the applicable employer contribution
 12.12 rate in section 353.27, subdivision 3; 353.65, subdivision 3; or 353E.03, subdivision 2, as
 12.13 applicable, multiplied by the differential salary amount;

12.14 (3) plus, if applicable, an equivalent employer additional amount equal to the additional
 12.15 employer contribution rate in section 353.27, subdivision 3a, multiplied by the differential
 12.16 salary amount.

12.17 ~~(e)~~ (b) The employer, by appropriate action of its governing body and documented in
 12.18 its official records, may pay on behalf of the member the amounts determined under
 12.19 paragraph ~~(d)~~ (a), clauses (2) and (3), as applicable, plus interest under paragraph ~~(f)~~ (c).
 12.20 However, if the period of reduced salary is a periodic, repetitive leave under ~~paragraph (b)~~
 12.21 subdivision 2, clause (4), then the employer must pay on behalf of the member the amount
 12.22 determined under paragraph ~~(d)~~ (a), clauses (2) and (3), as applicable, plus interest under
 12.23 paragraph ~~(f)~~ (c).

12.24 ~~(f)~~ (c) Payment under this section must include interest on the contribution amount or
 12.25 amounts, whichever applies, at the applicable rate or rates specified in section 356.59,
 12.26 subdivision 3, compounded annually, prorated for the number of months, if less than 12
 12.27 months, from the end of the school year or calendar year, as applicable, until full payment
 12.28 is received by the executive director.

12.29 Subd. 4. Timing of required payment. Payment under this section must be completed
 12.30 ~~by the earliest of: (1) six months after termination of public service by the employee under~~
 12.31 ~~section 353.01, subdivision 11a; (2) no later than one year after the termination end of the~~
 12.32 ~~each reporting period of reduced salary specified in paragraph (b); or (3) six months after~~
 12.33 ~~the commencement of a disability benefit.~~

13.1 **EFFECTIVE DATE.** This section is effective July 1, 2023.

13.2 Sec. 2. Minnesota Statutes 2022, section 353.031, subdivision 10, is amended to read:

13.3 Subd. 10. **Restoring forfeited service and salary credit.** (a) To restore forfeited service
13.4 and salary credit, a repayment of a refund must be made within six months after the effective
13.5 date of disability benefits or within six months after the date of the filing of the disability
13.6 application, whichever is later.

13.7 ~~(b)₂ except for that the salary credit purchase for periods of reduced salary must be made~~
13.8 ~~as authorized under section 353.0162, paragraph (b), clause (1), no purchase of prior service~~
13.9 ~~or payment made in lieu of salary deductions otherwise authorized under section 353.01 or~~
13.10 ~~353.0162 may be made after the occurrence of the disability for which an application is~~
13.11 ~~filed under this section.~~

13.12 **EFFECTIVE DATE.** This section is effective July 1, 2023.